


TOMBILL MINES LIMITED



Thirty-Seventh Annual Report

FOR THE YEAR ENDED 31st DECEMBER 1973



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TOMBILL MINES LIMITED

Incorporated under the laws of the Province of Ontario

DIRECTORS

A. M. DOULL	-	-	-	-	-	-	-	-	Toronto, Ont.
H. R. FRASER	-	-	-	-	-	-	-	-	Toronto, Ont.
J. A. GRANT	-	-	-	-	-	-	-	-	Toronto, Ont.
FOSTER W. HEWITT	-	-	-	-	-	-	-	-	Toronto, Ont.
DR. J. B. HOWKINS	-	-	-	-	-	-	-	-	Toronto, Ont.
W. A. MORRICE	-	-	-	-	-	-	-	-	Toronto, Ont.
S. H. ROBINSON	-	-	-	-	-	-	-	-	Toronto, Ont.
T. P. SULLIVAN	-	-	-	-	-	-	-	-	Toronto, Ont.
R. V. TOMKINS	-	-	-	-	-	-	-	-	Regina, Sask.

OFFICERS

J. A. GRANT	-	-	-	-	-	-	-	-	<i>Chairman of the Board</i>
H. R. FRASER	-	-	-	-	-	-	-	-	<i>President</i>
DR. J. B. HOWKINS	-	-	-	-	-	-	-	-	<i>Vice-President</i>
T. P. SULLIVAN	-	-	-	-	-	-	-	-	<i>Secretary-Treasurer</i>

HEAD OFFICE

P.O. Box 28, Toronto-Dominion Centre, Toronto, Ontario

GOLD MINE PROPERTY

Geraldton, Ontario

REGISTRAR AND TRANSFER AGENT

CROWN TRUST COMPANY, 302 Bay St., Toronto, Ontario

AUDITORS

GRIER, DYER & Co., Toronto, Ontario

COUNSEL

HOLDEN, MURDOCH, WALTON, FINLAY, ROBINSON, Toronto, Ontario

ANNUAL MEETING

The Annual Meeting of the Company will be held in the New Brunswick Room, Royal York Hotel, 100 Front Street West, Toronto 1, Ontario, Tuesday, April 16th, 1974, at 11:00 o'clock in the forenoon, Toronto Time.

TOMBILL MINES LIMITED

Report of the Directors

The Directors submit herewith the Thirty-Seventh Annual Report of the Company including Financial Statement and Auditors' Report for 1973.

The Company's 1973 revenue from dividends and interest amounted to \$314,994 compared with \$127,394 for 1972, an increase of \$187,600.

The substantial improvement was largely attributed to the increase in dividends from Hudson Bay Mining and Smelting Co., Limited which amounted to \$2.00 per share as compared with 80¢ per share in 1972.

The year 1973 saw a drastic increase in the price of gold on the world free market reaching an all time high towards the end of the year. An important contributing factor to the increase in the price of gold was the Israeli-Arab war which led to the world energy crisis. The increase in the price of oil and curtailment of shipments disrupted Free World economies and currencies. There appears to be good grounds for expecting a strong gold market to continue.

Canadian gold producers are benefitting handsomely from this world price increase. There was a decided upsurge in the interest in Canadian gold mining prospects during 1973, which no doubt will result in an increase in Canadian gold production in the coming years.

FRANCANA MINERALS LTD.

Tombill holds a 40% interest in this Company with 60% held by Hudson Bay Mining and Smelting Co., Limited.

No substantial increase in sales was achieved over 1972 levels due to limitations in plant capacity. However, a general improvement in demand

towards the end of the year has allowed prices for both detergent and salt cake grades to move upward to profitable levels.

The improvement in demand for salt cake material has been attributed to the general shortage of sodium materials in the chemical industry and to the increased levels of production in the kraft paper industry. This situation represents a continuation of trends identified earlier in 1973 and it is expected that demand will remain strong beyond the end of 1974. The improvement in demand for detergent grade products was particularly noticeable in the closing months of the year as detergent producers in the U.S. and Canada requested longer term commitments from producers.

It appears that in 1974 at least, the demand for sodium sulphate will exceed the productive ability of suppliers. In consequence a decision was taken to re-open the existing Alsask Plant for the production of salt cake material. The plant has been onstream since the middle of January, 1974. At Grant attention is being focused on producing the higher value detergent product only. Plans are being considered to upgrade the Alsask Plant for production of salt cake for the pulp and paper trade and to expand the capacity of the Grant Plant to 100,000 tons of detergent grade material. The implementation of these plans would require substantial capital expenditures.

JOINT EXPLORATION WITH ANGLO AMERICAN CORPORATION OF CANADA LIMITED AND HUDSON BAY MINING AND SMELTING CO., LIMITED

The Company maintained an effective 5% stake in the cost and results of an exploration programme carried out by Hudson Bay Exploration and Development Company on behalf of Hudson Bay, Amcan and the Company.

Prospecting was carried out in the Yukon and Northwest Territories, and in British Columbia. In the latter province, diamond drilling tested a zinc occurrence and a porphyry copper target area, but failed to reveal economic mineralization. As a result of geochemical exploration and traditional prospecting, targets have been discovered that will be examined during 1974.

A substantial programme of airborne geophysical exploration followed by ground geophysical methods and diamond drilling of anomalies discovered, was carried out in Western Ontario and a similar, but smaller programme was carried out in Quebec. To date no economic discoveries have been made as a result of this work.

GOLD PROSPECT, GERALDTON AREA, ONTARIO

A comprehensive geophysical and geochemical survey was carried out on 31 contiguous claims covering a number of low-grade gold occurrences in Vincent Township, Thunder Bay Mining Division, Ontario. Tombill staked 16 of these claims in 1972 and 15 adjoining leased claims are owned by Craskie Mines Limited, an 80% owned subsidiary of the Company.

Work to date has outlined a number of interesting anomalies which will be tested by diamond drilling during the early part of 1974.

The project presently comes under the Ontario Mineral Exploration Assistance Program in which one-third of approved expenditures will be reimbursed by the Government.

GENERAL

Tombill took a 20% participation in the Roy A. Martin Grubstake. Mr. Martin is an experienced and well known prospector searching for minerals in Canada and the United States.

Tombill's shareholding in Gulch Mines Limited was increased in 1973 to 616,075 shares. Gulch holds a uranium property on Black Bay, Lake Athabaska, Saskatchewan, and a group of patented gold claims at Geraldton, Ontario.

Tombill carried out no work on its Geraldton, Ontario gold property, but consideration is being given to a work programme during 1974.

In December, 1973 Algoma Steel Corporation concluded a lease arrangement with Little Long Lac Mines Limited for its Geraldton iron property which has an indicated 320,000,000 tons grading around 24% iron. This iron bearing material is indicated to extend into Tombill ground.

Mr. Gerald J. Risby and Mr. Robert N. Bosada retired during the year to take up other duties. The Company expresses its thanks to them for services rendered during their term as Directors. Mr. A. M. Doull posted from South Africa to Anglo American Corporation of Canada Limited and Mr. T. P. Sullivan, Tombill Secretary-Treasurer, were appointed to fill the vacancies of the retiring Directors.

On behalf of the Board.

JAMES A. GRANT	H. RONALD FRASER
Chairman	President

Toronto, Ontario,
February 25th, 1974.

TOMBILL MI

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Balance Sheet as a (with comparati

ASSETS

	1973	1972
Current:		
Cash	\$ 735	\$ 889
Accounts receivable	582	—
Short term notes and accrued interest	77,021	44,027
Dividend receivable	139,050	30,900
	<u>217,388</u>	<u>75,816</u>
Advance to Francana Minerals Ltd. (Note 1)	317,740	296,763
Investments:		
Hudson Bay Mining and Smelting Co. Limited — at cost (quoted market value, 1973 — \$4,094,250, 1972 — \$3,128,625)	299,437	299,437
Gulch Mines Limited — at net cost (quoted market value, 1973 — \$18,482, 1972 — \$5,000)	53,787	52,626
Francana Minerals Ltd. — at cost (Note 2) (no quoted market value)	1,260,000	1,260,000
Advances to and Investment in Craskie Mines Limited — at cost (no quoted market value)	30,157	29,996
Province of Ontario Mining Properties — Geraldton area	1,191,262	1,191,262
Net Exploration, Development and Other Expenditures — Exhibit B (Note 3)	972,239	1,137,327
	<u>\$4,342,010</u>	<u>\$4,343,227</u>

Audite

The Shareholders,
Tombill Mines Limited:

We have examined the balance sheet of Tombill Mines Limited as at 31st December 1973 and the statements of net exploration, development and other expenditures and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario,
18th February 1974.

NES LIMITED

(of the Province of Ontario)

EXHIBIT A

31st December 1973

(figures for 1972)

LIABILITIES

	1973	1972
Current:		
Accounts payable and accrued	\$ 16,126	\$ 17,343
Bank Loan — secured (Note 1)	280,000	280,000
	<u>\$ 296,126</u>	<u>\$ 297,343</u>
Capital Stock:		
Authorized —		
5,000,000 shares of no par value		
Issued —		
4,650,000 shares	3,831,500	3,831,500
Earned Surplus	214,384	214,384
Approved on behalf of the Board:		
J. A. GRANT, Director.		
H. R. FRASER, Director.		
	<u>\$4,342,010</u>	<u>\$4,343,227</u>

Report

In our opinion these statements present fairly the financial position of the company as at 31st December 1973 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GRIER, DYER & CO.,
Chartered Accountants.

TOMBILL MINES LIMITED

EXHIBIT B

Statement of Net Exploration, Development and Other Expenditures

For the Year Ended 31st December 1973

(with comparative figures for 1972)

	1973	1972
Balance forward from previous year	\$1,137,327	\$1,126,134
Expenditures for the Current Year:		
Exploration and Development —		
Field, engineering and other costs of specific projects	30,656	—
Share of costs in joint prospecting programme	62,754	80,248
General	6,578	11,346
	99,988	91,594
Administrative and General —		
Annual meeting, reports and expenses	2,084	2,040
Administrative fees	7,200	2,500
Legal and audit fees and expenses	9,445	5,505
Office and general expenses	2,007	3,230
Rent	3,600	4,442
Salaries — Executive	18,000	18,000
— Office	4,142	3,926
Transfer agent and registrar	2,419	2,495
Travel	1,021	1,643
	49,918	43,781
Total Expenditures for the year	149,906	135,375
Revenue for the Current Year:		
Dividends	309,000	123,600
Interest	5,994	3,794
	314,994	127,394
Net (Revenue) Expenditure for the year	(165,088)	7,981
Add — Undepreciated cost of furniture and equipment disposed of	—	3,212
Total Net Expenditure to date	\$ 972,239	\$1,137,327

TOMBILL MINES LIMITED

EXHIBIT C

Statement of Source and Use of Funds For the Year Ended 31st December 1973 (with comparative figures for 1972)

	1973	1972
Source of Funds:		
Dividends	\$ 309,000	\$ 123,600
Interest	5,994	3,794
Other	—	585
	<u>314,994</u>	<u>127,979</u>
Use of Funds:		
Advance to Craskie Mines Limited	161	220
Interest on advance to Francana Minerals Ltd. (Note 1)	20,977	16,763
Exploration, development and other expenditures for the year — Exhibit B	149,906	135,375
Purchase of 116,075 shares of Gulch Mines Limited	1,161	—
	<u>172,205</u>	<u>152,358</u>
Working Capital:		
Increase (decrease) during the year	142,789	(24,379)
Deficit at the beginning of the year	(221,527)	(197,148)
Deficit at the end of the year	<u>\$ (78,738)</u>	<u>\$ (221,527)</u>
Represented by —		
Current Liabilities	\$ 296,126	\$ 297,343
Less — Current Assets	217,388	75,816
	<u>\$ (78,738)</u>	<u>\$ (221,527)</u>

TOMBILL MINES LIMITED

Notes to Financial Statements

31st December 1973

1. The advance of \$317,740 to Francana Minerals Ltd. includes \$37,740 interest charged for the past two years at prevailing bank rates. The bank loan to the company, to provide the original advance of \$280,000 to Francana Minerals Ltd., is secured by the company's holdings in Hudson Bay Mining and Smelting Co. Limited.
2. The company owns a 40% interest in Francana Minerals Ltd. through investment in 226,000 N.P.V. common shares and 80,000 5% cumulative redeemable \$10 par value preference shares of that company. The company's equity approximated \$718,000 as of 31st December 1973.
3. Deferred exploration and development expenditures, deductible from profits of mining operations under the Income Tax Act, are estimated to approximate \$1,640,000.
4. The aggregate direct remuneration of directors and senior officers (as defined in The Business Corporations Act, Ontario) amounted to \$22,142 in 1973; \$23,116 in 1972.

TOMBILL MINES LIMITED

INTERIM REPORT

To the Shareholders:

The Interim Report for the six months ended June 30th, 1973 is presented herewith.

Hudson Bay declared a quarterly dividend June 22, 1973, of 40¢ per share payable July 23, 1973. This is an increase of 10¢ per share over the dividend of 30¢ per share that was declared for the first quarter of 1973.

Dividends declared to date by Hudson Bay in 1973 total 70¢ per share.

Surface exploration was carried out on the Vincent Township gold prospect, Thunder Bay Mining Division, Ontario, after break-up in the spring. The work consisted of line-cutting, geophysical surveys and soil sampling. The results from this work are presently being evaluated and if the results warrant diamond drilling, this will be carried out at a later date.

JAMES A. GRANT
Chairman

H. R. FRASER
President

Toronto, Ontario
August 20th, 1973.

TOMBILL MINES LIMITED

STATEMENT

OF

INCOME AND EXPENDITURE

FOR THE SIX MONTHS ENDED JUNE 30, 1973
(WITH 1972 FIGURES FOR COMPARISON)

	<u>1973</u>	<u>1972</u>
INCOME:		
INTEREST, DIVIDENDS AND SUNDRY INCOME	<u>\$48,761</u>	<u>\$48,444</u>
EXPENDITURE:		
EXPLORATION	<u>20,508</u>	<u>5,836</u>
ADMINISTRATION & GENERAL	<u>24,425</u>	<u>21,439</u>
	<u>44,933</u>	<u>27,275</u>
EXCESS OF INCOME OVER EXPENDITURE	<u>\$ 3,828</u>	<u>\$21,169</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE SIX MONTHS ENDED JUNE 30TH, 1973
(WITH 1972 FIGURES FOR COMPARISON)

	<u>1973</u>	<u>1972</u>
SOURCE OF FUNDS:		
INTEREST, DIVIDENDS AND SUNDRY INCOME	<u>\$48,761</u>	<u>\$48,444</u>
APPLICATION OF FUNDS:		
DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES	<u>44,933</u>	<u>27,275</u>
INTEREST DUE BY FRANCA MINERALS LTD. ON THE \$280,000 ADVANCE	<u>8,891</u>	<u>8,294</u>
	<u>53,824</u>	<u>35,569</u>
INCREASE (DECREASE) IN WORKING CAPITAL FOR THE PERIOD	<u>(5,063)</u>	<u>12,875</u>
WORKING CAPITAL AT BEGINNING OF THE PERIOD	<u>58,473</u>	<u>67,402</u>
WORKING CAPITAL AT END OF THE PERIOD	<u>\$53,410</u>	<u>\$80,277</u>

TOMBILL MINES LIMITED

P.O. Box 28

Toronto-Dominion Centre
Toronto 1, Ontario